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IN RE.	)	T.R.A. DOCKET ROOM
	)	
UNITED CITIES GAS COMPANY,	)	
a Division of ATMOS ENERGY	)	Consolidated Docket Nos. 01-00704 and
CORPORATION INCENTIVE	)	02-00850
PLAN (IPA) AUDIT	(	
	)	
UNITED CITIES GAS COMPANY,	)	
a Division of ATMOS ENERGY	)	
CORPORATION, PETITION TO	)	
AMEND THE PERFORMANCE	)	
BASED RATEMAKING	)	
MECHANISM RIDER	)	

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**RESPONSES OF ATMOS ENERGY CORPORATION TO THE ATTORNEY  
GENERAL'S INTERROGATORIES AND REQUESTS TO PRODUCE**

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Atmos Energy Corporation ("Atmos" or "the Company") submits the following responses to the Attorney General's Interrogatories to Atmos Energy Company [sic].

**I. INTERROGATORIES**

1. State each fact you rely on to support your contention that the proposed settlement is necessary and proper for the public convenience and properly serves the public interest.

**RESPONSE:** The Company objects to this interrogatory on the grounds that it references an inapplicable governing standard. Without waiving this objection, the facts supporting the Company's contention that the settlement agreement should be approved are recited in the order and tariffs in the original PBR docket (Docket No. 97-01364) and all documents filed by the Company in Docket Nos 01-00704 and 02-00850

2. Identify all persons known to you, your attorney, or other agent who have knowledge, information or possess any document(s) or claim to have knowledge, information or possess any document(s) which support your answer to Interrogatory number one (1) above.

**RESPONSE:** Undersigned counsel, Randal Gilliam, Hal Novak, Patricia Childers, John Hack, Frank Creamer.

3. Identify each document, photograph, or any other article or thing whatsoever, which you claim to corroborate any part of your contentions, position or belief that the proposed settlement agreement filed March 8, 2004 in this docket is necessary and proper for the public convenience and properly serves the public interest, whether as to the issues of credibility or any other issue, or which is adverse to your contentions, position or belief that the proposed settlement agreement filed March 8, 2004 in this docket is necessary and proper for the public convenience and properly serves the public interest, whether as to the issues of credibility or any other issue.

**RESPONSE:** The Company objects to this interrogatory on the grounds that it references an inapplicable governing standard. Without waiving this objection, see the transportation contracts at issue, the order and tariffs in the original PBR docket (Docket No. 97-01364) and all documents filed by the Company in Docket Nos 01-00704 and 02-00850. The Company is unaware of any "document, photograph, or any other article or thing whatsoever" which is adverse to its position that the settlement agreement should be approved.

4 With respect to each person you expect to call as an expert witness, or provide any form of testimony from, at the June 8, 2004 hearing in this matter, state:

- a. their full name and work address,
- b. each subject matter about which such witness is expected to testify;
- c. the substance of the facts and opinions to which the expert is expected to testify,
- d. a summary of the grounds or basis of each opinion to which such witness is expected to testify; and
- e. whether or not the expert has prepared a report, letter of memorandum of his findings, conclusions or opinions.

**RESPONSE:** At this time, the Company does not expect to call an expert witness at the June 8, 2004 hearing in this matter.

5. Identify each state where the incentive program set out in the proposed settlement has been approved, by state and docket or matter number. Provide copies of the documents and things filed in each.

**RESPONSE:** Atmos is not aware of the details of incentive programs governing other companies. Atmos has no incentive program identical to the one proposed in the settlement agreement in any other state. Atmos has an incentive program in Kentucky similar to the program set forth in the proposed settlement agreement (Kentucky Public Service Commission Docket No 2001-00317) The relevant orders have already been provided to the CAPD.

6. Explain in detail the extent to which FERC Order: Modification of Negotiated Rate Policy, Natural Gas Pipeline Negotiated Rate Policies and Practices, 104 FERC ¶ 61,134 (2003) may be relevant to the question of whether the proposed settlement is in the public interest.

**RESPONSE:** It is the Company's position that the referenced FERC Order is not relevant to the question of whether the proposed settlement should be approved.

7. State the amount of savings you claim or will claim for the audit years: 97-98, 98-99, 99-00, 01-02, 02-03, 03-04 and 04-05 under the incentive plan proposed in Docket No. 02-00850; under the incentive plan approved in 97-01364 as you claim in 01-00704; and under the incentive plan as originally interpreted by the TRA Staff in 01-00704 in its audit report filed on April 10, 2004. Separate and detail all components of the savings you claim.

**RESPONSE:** The Company objects to this interrogatory to the extent it seeks information from years 97-98, 98-99, and 99-00. Those audit years are closed, and are not impacted by the settlement agreement, which applies only to audit year 2000-2001 and forward. As such, the request for information from audit years 97-98, 98-99, and 99-00 seeks information which is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence. For the remaining years, see attached. The attached exhibits detail the savings the Company will claim under the proposed settlement and under the Staff's interpretation articulated in its audit report for the 2000-2001 audit year. The savings the Company would claim for years 2001-2002 and forward should the settlement not be approved and should the Company prevail in the litigation of Docket No. 01-00704 is the same as the amounts the Company will claim

under the proposed settlement agreement, with the exception of additional shared savings from the NORA contract of approximately \$140,000 per year.

8. Provide a detailed description of the amount of savings that will occur if the TRA does not approve a change in the current tariff that established the current incentive plan for Atmos.

**RESPONSE:** The amount of savings that will occur if the TRA does not approve the settlement agreement has yet to be determined because the Authority has not resolved the issue of whether the transportation savings are included within the current PBR.

9. List and describe all credible market benchmarks or industry standards you are relying on in formulating the proposed settlement and in claiming that the proposed settlement is in the public interest.

**RESPONSE:** The Company is not relying on any market benchmarks or industry standards in formulating the proposed settlement or submitting the settlement for approval. The TIF factor proposed by the petition in Docket No. 02-00850 utilizes the published maximum FERC rate in its formula.

10. Provide a detailed description of how the proposed settlement will be implemented in terms of surcharges or credits to your customers, on an audit year by audit year basis.

**RESPONSE:** For audit year 2000-2001, see the Company and Staff Motion to Consolidate and for Approval of Settlement Agreement and exhibits attached thereto. The

Company cannot provide a detailed description of surcharges or credits to its customers for audit years 2001-2002, 2003-2004, and 2004-2005 as the Company has yet to submit reports for those years and the audits for those years have yet to be completed due to pendency of Docket Nos. 01-00704 and 02-00850.

### **REQUESTS FOR THE PRODUCTION OF DOCUMENTS AND THINGS**

Consistent with the preceding definitions and preliminary matters, you are requested to produce the documents and things described in the following paragraphs.

1. Copies of any and all documents identified in your answers or responses to these Interrogatories.

**RESPONSE:** See attached. All other documents identified are of record in Docket Nos. 97-01364, 01-00704, 02-00850 or have been previously provided to the CAPD.

2. Copies of any and all documents reviewed to prepare your answers or responses to these Interrogatories.

**RESPONSE:** The Company objects to this request on the grounds that the request is vague, overbroad, unduly burdensome and seeks information which is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence.

3. Any and all expert reports which have been obtained from any expert.

**RESPONSE:**

At this time, the Company does not expect to call an expert witness at the June 8, 2004 hearing in this matter.

4 Each document, photograph, or any other article or thing whatsoever, upon which you rely in support of your contention(s), position(s) or belief(s) that the proposed settlement is necessary and proper for the public convenience and properly serves the public interest.

**RESPONSE:** See the Company's response to Request No. 1 above.

**VERIFICATION**

I, Patricia J. Childers, hereby depose and say, after having been first duly sworn, that I have read the foregoing Interrogatories and the answers and responses thereto are true according to the best of my knowledge, information, and belief.

Patricia J. Childers  
Name Patricia J. Childers

Title Vice President-Rates & Regulatory Affairs

STATE OF Tennessee )

COUNTY OF Williamson )

Personally appeared before me, Patricia J. Childers, with whom I am personally acquainted, and who acknowledged that he has answered the foregoing Interrogatories and executed the foregoing instrument for the purposes therein contained.

Witness my hand, at office, on this 7th day of May, 2004.

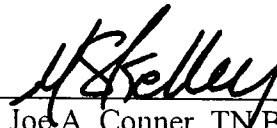
Patricia J. Childers  
NOTARY PUBLIC

My Commission Expires: May 30, 2004



Respectfully submitted,

BAKER, DONELSON, BEARMAN  
CALDWELL, & BERKOWITZ, P.C.

By:   
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Attorneys for Atmos Energy Corporation

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing has been served via U.S. Mail, postage prepaid, upon the following this 7th day of May, 2004.

Russell T. Perkins  
Timothy C. Phillips  
Shilina B. Chatterjee  
Office of the Attorney General  
Consumer Advocate & Protection Division  
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Nashville, TN 37202

Randal L. Gilliam  
Staff Counsel  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
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**Response to Consumer Advocate Interrogatory No. 7**  
**INCENTIVE PLAN SAVINGS (CLAIMED OR TO BE CLAIMED) UNDER SETTLEMENT AGREEMENT**  
**AUDIT YEARS: 01/02, 02/03 & 03/04**

PLAN YEAR	COMPANY COMMODITY SAVINGS	COMPANY CAPACITY RELEASE SHARE	COMPANY SHARED TRANS DISCOUNT	TOTAL PBR CALCULATIONS
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2001-2002	\$97,505	\$25,560	\$790,195	\$913,260
2002-2003	\$285,905	\$28,365	\$762,940	\$1,077,210
2003-2004	\$590	\$14,145	\$755,138	\$769,873

**AS RECOMMENDED IN STAFF'S AUDIT REPORTS**  
**INCENTIVE PLAN SAVINGS**  
**AUDIT YEARS: 01/02, 02/03 & 03/04**

PLAN YEAR	COMPANY COMMODITY SAVINGS	COMPANY CAPACITY RELEASE SHARE	COMPANY SHARED TRANS DISCOUNT	TOTAL PBR CALCULATIONS
-----------	---------------------------------	---	--	------------------------------

2001-2002	\$97,505	\$2,556	\$0	\$100,061
2002-2003	\$285,905	\$28,365	\$0	\$314,270
2003-2004	\$590	\$14,145	\$0	\$14,735

Per Tariff Filed 8/9/02

**Gas Procurement Savings Sharing**

Production Month	100% Below Band	100% Above Band	TN 100% Gas Purchase Savings	Nat Co 50% Gas Purchase Savings	100% Tennessee Purchased Dth
4/01	\$ 17,673	\$ -	\$ 17,673	\$ 8,837	1,661,018
5/01	\$ (2,844)	\$ -	\$ (2,844)	\$ (1,422)	1,328,806
6/01	\$ 20,471	\$ -	\$ 20,471	\$ 10,235	1,223,760
7/01	\$ 22,855	\$ -	\$ 22,855	\$ 11,427	1,364,487
8/01	\$ 18,607	\$ -	\$ 18,607	\$ 9,304	1,018,356
9/01	\$ 34,647	\$ -	\$ 34,647	\$ 17,324	1,002,573
10/01	\$ 41,609	\$ -	\$ 41,609	\$ 20,804	1,472,481
11/01	\$ 42,195	\$ -	\$ 42,195	\$ 21,098	1,571,174
12/01	\$ -	\$ -	\$ -	\$ -	1,723,271
1/02	\$ -	\$ -	\$ -	\$ -	2,123,567
2/02	\$ -	\$ -	\$ -	\$ -	1,540,302
3/02	\$ -	\$ -	\$ -	\$ -	1,580,216
<b>Total</b>	<b>\$195,010</b>	<b>\$0.00</b>	<b>\$195,010</b>	<b>\$97,505</b>	<b>16,510,404</b>

(2)

69.5%	Tennessee Ratio
30.5%	Virginia Ratio

<b>Upper Band</b>	<b>Determinants</b>	<b>100.00%</b>
<b>Lower Band</b>		<b>97.70%</b>
<b>Transportation</b>	Dependent upon the discount per UCC Tariff filed 8/9/02	
<b>File Name</b>	W/Gas Supply/TenPRR02-03 PBR/	
	W/Gas Supply/TenPRR02 Per 8/9/02 Tariff	

<b>Current PBR Total to date</b>	<b>To</b>	<b>Company</b>
(1) Capacity Release	ECG	\$25,580
(2) Gas Cost - All Pipelines		\$97,505
(3) Transportation		\$790,195
<b>Comdence Total for PBR YR</b>	<b>\$1,215,727</b>	<b>\$913,260</b>

<b>Starting Range</b>	<b>To</b>	<b>Company</b>
(1) Capacity Release	ECG	\$25,580
(2) Gas Purchase	50%	\$97,505
(3) Transportation	70%	\$790,195
Savings up to 20%	40%	
Savings above 20%	50%	

**ATMOS ENERGY CORPORATION,  
MID-STATES DIVISION  
STATE OF TENNESSEE  
(Net of Virginia)  
2001/2002 PBR Summary  
Performance Base Ratemaking  
Gas Procurement - Work Papers**

**Capacity Release Sharing**

Production Month	100% Capacity Release	TN 100% Capacity Release	Nat Co 10% Capacity Release
4/01	\$ 27,948	\$ 25,039	\$ 2,507
5/01	\$ 33,821	\$ 29,539	\$ 2,954
6/01	\$ 53,548	\$ 37,220	\$ 3,722
7/01	\$ 47,220	\$ 31,481	\$ 3,148
8/01	\$ 44,349	\$ 29,447	\$ 2,925
9/01	\$ 5,655	\$ 4,589	\$ 450
10/01	\$ 9,745	\$ 7,860	\$ 786
11/01	\$ 28,320	\$ 20,650	\$ 2,065
12/01	\$ 31,307	\$ 23,528	\$ 2,333
1/02	\$ 34,036	\$ 24,603	\$ 2,460
2/02	\$ 31,180	\$ 21,729	\$ 2,173
<b>Total</b>	<b>\$ 347,957</b>	<b>\$ 255,598</b>	<b>\$ 25,580</b>

**TIE (Transportation) Savings Sharing**

Production Month	TN TIE	Net Company TIE
4/01	\$ 72,056	\$32,071
5/01	\$ 67,189	\$29,744
6/01	\$ 66,751	\$29,550
7/01	\$ 68,250	\$30,218
8/01	\$ 70,288	\$31,116
9/01	\$ 68,864	\$30,507
10/01	\$ 72,265	\$32,114
11/01	\$ 210,455	\$101,133
12/01	\$ 238,594	\$114,832
1/02	\$ 180,214	\$85,654
2/02	\$ 327,856	\$189,538
3/02	\$ 235,755	\$113,729
<b>Total</b>	<b>\$1,578,560</b>	<b>\$790,195</b>

Production Month	Company Share	Total
4/01	\$ 40,657	\$ 40,657
5/01	\$ 30,628	\$ 30,628
6/01	\$ 42,739	\$ 42,739
7/01	\$ 45,567	\$ 45,567
8/01	\$ 43,287	\$ 43,287
9/01	\$ 50,856	\$ 50,856
10/01	\$ 51,478	\$ 51,478
11/01	\$ 122,859	\$ 122,859
12/01	\$ 116,801	\$ 116,801
1/02	\$ 87,848	\$ 87,848
2/02	\$ 152,019	\$ 152,019
3/02	\$ 115,902	\$ 115,902
<b>Total</b>	<b>\$ 913,260</b>	<b>\$ 913,260</b>

**ATMOS ENERGY CORPORATION,  
MID-STATES DIVISION**

**STATE OF TENNESSEE  
(Net of Virginia)**

**2002/2003 PBR Summary  
Performance Base Ratemaking  
Gas Procurement - Work Papers**

Per Tariff Filed 8/9/02

**Gas Procurement Savings Shanno**

Production Month	100% Below Band	100% Above Band	TN 100% Gas Purchase Savings	Net Co 50% Gas Purchase Savings	100% Tennessee Purchased Dth
4/02	\$ 76,689	\$ 68,121	\$ 76,689	\$ 38,345	1,046,483
5/02	\$ 88,301	\$ 88,301	\$ 88,301	\$ 44,150	1,046,858
6/02	\$ 91,860	\$ 91,860	\$ 91,860	\$ 45,930	1,334,037
7/02	\$ 67,431	\$ 67,431	\$ 67,431	\$ 33,715	1,537,120
8/02	\$ 52,077	\$ 52,077	\$ 52,077	\$ 26,039	1,170,562
9/02	\$ 33,910	\$ 33,910	\$ 33,910	\$ 16,956	862,465
10/02	\$ 59,339	\$ 59,339	\$ 59,339	\$ 29,669	951,078
11/02	\$ 34,083	\$ 34,083	\$ 34,083	\$ 17,041	1,464,347
12/02	\$ 34,083	\$ 34,083	\$ 34,083	\$ 17,041	2,057,002
1/03	\$ 34,083	\$ 34,083	\$ 34,083	\$ 17,041	2,419,756
2/03	\$ 34,083	\$ 34,083	\$ 34,083	\$ 17,041	2,595,864
3/03	\$ 34,083	\$ 34,083	\$ 34,083	\$ 17,041	2,595,864
<b>Total</b>	<b>\$571,811</b>	<b>\$0.00</b>	<b>\$571,811</b>	<b>\$285,905</b>	<b>16,508,673</b>

(2)

**Capacity Release Shanno**

Production Month	100% Capacity Release	TN 100% Capacity Release	Net Co 100% Capacity Release
4/02	\$ 11,047	\$ 9,942	\$ 1,105
5/02	\$ 19,531	\$ 16,683	\$ 2,848
6/02	\$ 14,428	\$ 12,746	\$ 1,682
7/02	\$ 12,117	\$ 9,759	\$ 2,358
8/02	\$ 5,343	\$ 4,749	\$ 594
9/02	\$ 4,800	\$ 4,083	\$ 717
10/02	\$ 11,794	\$ 10,615	\$ 1,179
11/02	\$ 26,683	\$ 21,839	\$ 4,844
12/02	\$ 26,683	\$ 22,089	\$ 4,594
1/03	\$ 41,231	\$ 28,610	\$ 12,621
2/03	\$ 40,848	\$ 28,078	\$ 12,770
3/03	\$ 57,225	\$ 40,901	\$ 16,324
<b>Total</b>	<b>\$ 283,949</b>	<b>\$ 214,181</b>	<b>\$ 69,768</b>

**TIF (Transportation) Savings Shanno**

Production Month	TN 100% TIF	Net Company TIF
4/02	\$ 69,271	\$12,663
5/02	\$ 68,082	\$11,921
6/02	\$ 68,064	\$10,131
7/02	\$ 67,306	\$29,835
8/02	\$ 67,742	\$29,988
9/02	\$ 68,583	\$30,437
10/02	\$ 72,358	\$33,403
11/02	\$ 217,870	\$104,711
12/02	\$ 223,553	\$107,589
1/03	\$ 240,850	\$115,971
2/03	\$ 226,833	\$114,151
3/03	\$ 215,516	\$103,759
<b>Total</b>	<b>\$ 1,614,070</b>	<b>\$ 762,940</b>

69.5% Tennessee Ratio  
30.5% Virginia Ratio

**Determinants**  
Upper Band 102.00%  
Lower Band 97.70%  
Transportation- Dependent upon the discount per UCG Tariff filed 8/9/02  
File Name W:\Gas Supply\TempPBR\02-03 PBR  
W:\Gas Supply\TempPBR\TIF per 8/9/02 Tariff

Current PBR Total, to date	To	Company	TN 100%
(1) Capacity Release	PGA	\$182,763	\$ 28,185
(2) Gas Cost - All Pipelines		\$285,905	\$ 161,470
(3) Transportation		\$ 651,130	\$ 752,940
<b>Comprehensive Total w/ PBR TN</b>		<b>\$1,325,799</b>	<b>\$1,077,210</b>

**Savings Ratios**

(1) Capacity Release	PGA	Company
(2) Gas Purchase	50%	50%
(3) Transportation	70%	33%
Savings up to 20%	60%	42%
Savings above 20%	50%	57%

Production Month	Total Company Share
4/02	\$ 71,513
5/02	\$ 67,934
6/02	\$ 75,724
7/02	\$ 76,977
8/02	\$ 64,236
9/02	\$ 56,989
10/02	\$ 50,537
11/02	\$ 137,227
12/02	\$ 128,278
1/03	\$ 120,094
2/03	\$ 118,235
3/03	\$ 109,482
<b>Total</b>	<b>1,077,210</b>

## Per Tariff Filed 8/9/02

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